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Voluntary - Public

Date: 11/01/2010

GAIN Report Number: RO0001

Romania

Post: Bucharest

New Agriculture Minister appointed in Romania

Report Categories:

Agricultural Situation

Approved By:

HOA VAN HUYNH

Prepared By:

MONICA DOBRESCU

Report Highlights:

In the end of December 2009, Mihail Dumitru, a former negotiator for the Rural Development Program for Romania in European Commission was appointed as Agriculture Minister. Given his knowledge in EU agriculture and rural development programs application, farmers expect from the AgMinister new forms of support to be implemented in order to help them mitigate the effects of state support discontinuation in 2010.

General Information:

The dissolution of the coalition between Democrat-Liberal Party (PD-L) and Social-Democrat Party (PSD) directly affected Ministry of Agriculture in September 2009, when the Ag Minister Ilie Sarbu (PSD) resigned, along with other officials at secretary-state and middle-management level. Minister of Transportation, Radu Berceanu, led interim Ministry of Agriculture. New persons have been nominated to occupy two of the three Secretary of State positions left vacant in September.

In December 2009 the second round of the Presidential elections brought as winner the incumbent President Traian Basescu (PD-L), just few thousands votes above his competitor, Mircea Geona (PSD). The victory allowed President Basescu to nominate the Prime Minister to form a new Cabinet. On December 23, 2009 the new Government team received the approval of the Parliament and sworn in the same day.

Despite the rumors that one of the prominent PD-L members and former Minister of Agriculture, Valeriu Tabara, will be nominated for Agriculture portfolio, Prime Minister Emil Boc preferred Mihail Dumitru, negotiator for Romania's Rural Development Program in Brussels until December 2009. Although little known among farmers, Mihail Dumitru is perceived as an expert in EU agriculture and rural development, considering his vast experience of working with EU agricultural institutions.

Agriculture Minister's Biography

Mihail Dumitru graduated at the Faculty of Agricultural Economics, part of the Academy of Economic Studies Bucharest in 1988. Upon graduation, he worked as economist for a large swine operation near Bucharest for two years. In 1990, he joined the research team within the National Institute for Economic Research. A year later, Mihail Dumitru was awarded a scholarship for pursuing the post-university studies in the Mediterranean Agronomic Institute in Montpellier, France, part of the International Center for Advanced Mediterranean Agronomic Studies (CIHEAM). The Master of Science degree in Rural Development Economy was earned in another CIHEAM member, the Mediterranean Agronomic Institute in Chania, Greece in 1994. Four years later, Mihail Dumitru completed the PhD studies, becoming Doctor in Economy.

In 1995, Mihail Dumitru joined the team of the European Commission Delegation to Bucharest as expert on agriculture and rural development. Five years later, he became the head of the department responsible for agriculture and internal market within the EU Delegation. During this time, Mihail Dumitru contributed to a series of articles and papers published in several notorious economic magazines focusing on agricultural policies.

Shortly before Romania became an EU member, in September 2006, Mihail Dumitru took the position of negotiator-coordinator for Rural Development Program for Romania, within the European Commission, Directorate General for Agriculture and Rural Development.

New support programs to be designed

The total budget proposed for approval in Parliament in January 2010 for Ministry of Agriculture and Rural Development is about 9 billion RON (USD 3 billion), of which 55% represent resources from the state budget and 45% EU-sourced funds. According to the new Agriculture Minister, the current budget level would allow covering the debts to farmers accumulated in 2009 and co-financing the EU programs, but it would be insufficient to replace the support that some agricultural sectors enjoyed in the past years.

Upon accession, Romania was allowed to use for three years (2007-2009) several forms of state aid in agriculture and food industry. These forms specifically referred to production of sugar cane, rice, hemp, flax, soybean, tobacco, poultry meat, pork meat, eggs; subsidies for fuel used in agriculture; vegetables production in greenhouses; subsidies for improving milk quality; and financing the sale of bull frozen semen to be used for artificial insemination on cows.

At this moment, it is not clear which will be the new level of support but upon consulting with farmers associations, Ministry of Agriculture will design new measures to replace the previous forms of support within the EU legal framework. So far the Ag Minister announced that *de minimis aid* of maximum Euro 7,500 to be granted to farms for maximum 3 years is to be considered (Commission Regulation 1535/2007).

Considering the relatively significant subsidies previously granted to farmers and increasing energy and transportation costs, a rise in the price of agricultural products in 2010 would not come as a surprise, since farmers have now to fully cover a rising cost of production. The declining consumer purchasing power will be however a major barrier in this trend,

thus a higher pressure will be exerted on farmers' profit margins and cost-efficiency. Reducing capacity production and business consolidation in the affected sectors might follow.